



**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS
June 30, 2021**

SPRINGS UNION FREE SCHOOL DISTRICT
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis (MD&A)	4
Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Balance Sheet – Governmental Funds	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23
Statement of Fiduciary Net Position – Fiduciary Fund	24
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	24
Notes to Financial Statements	25
Required Supplementary Information other than MD&A:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	56
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)	58
Schedule of District Pension Contributions	59
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	60
Other Supplementary Information:	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund	61
Schedule of Project Expenditures and Financing Resources – Capital Projects Fund	62
Schedule of Net investment in Capital Assets	63
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	64

INDEPENDENT AUDITORS' REPORT

The Board of Education
Springs Union Free School District
East Hampton, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Springs Union Free School District (the District), as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of Springs Union Free School District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in note 2 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84 - "Fiduciary Activities," during the year ended June 30, 2021. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 17 and the other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 15, 2021

SPRINGS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Springs Union Free School District's (District) discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021 in comparison with the year ended June 30, 2020, with emphasis on the current year. This should be read in conjunction with the financial statements and notes to financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

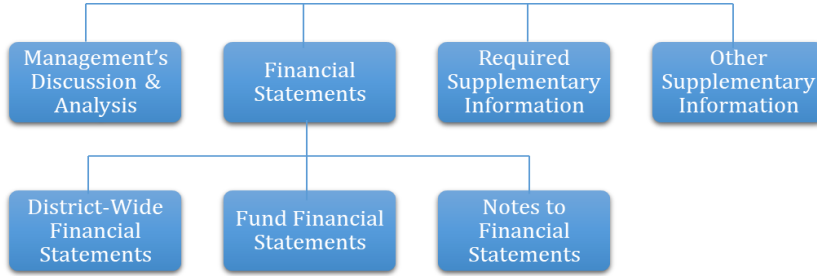
Key financial highlights for fiscal year 2021 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by \$3,281,636 (14.26%). This was due to an excess of expenses over revenues using the economic resources measurement focus and the accrual basis of accounting.
- The District's total net position at June 30, 2020 was restated and increased by \$6,697, which is due to the required implementation of GASB Statement No. 84, *Fiduciary Activities*, during the 2021 fiscal year.
- The District's general fund fund balance, as reflected in the fund financial statements was \$6,718,064 at June 30, 2021. This balance represents a \$654,230 increase (10.79%) over the prior year due to an excess of revenues and other financing sources over expenditures and other financing uses, using the current financial resources measurement focus and the modified accrual basis of accounting, as follows:
 - Restricted fund balances increased by \$983,525 due to funding of reserves and interest allocated to the reserves, offset by the use of reserves.
 - Assigned fund balance decreased \$359,323 primarily as the District decreased the fund balance appropriated to fund the 2022 budget and increased the assignment for future debt service.
 - Unassigned fund balance increased by \$30,028 to \$1,232,005.
- The District was awarded funding under the Coronavirus Aid Relief and Economic Security Act (CARES) through the Elementary and Secondary School Emergency Relief Program (ESSER) and the Governor's Emergency Education Relief Program (GEER) in the amount of \$248,922 of which \$238,954 was expended in the current year. The District applied for additional funding in the amount of \$648,939 allocated under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), which was granted in July 2021.
- On September 2, 2020, the District issued serial bonds in the amount of \$16,960,000 to fund an addition and improvements to the District's facilities. As of June 30, 2021, the District has expended \$15,096,803 related to these capital projects.
- On November 19, 2020, the District issued bond anticipation notes (BANs) in the amount of \$243,000 for the acquisition of buses. The proceeds of the BANs were used to pay the 2019 BANs along with \$27,000 in general fund appropriations and to provide additional funding of \$135,000 for the purchase of a bus and related equipment.
- On May 18, 2021, the voters of the District authorized the District to issue installment debt in the amount of \$150,000 for the purchase of a bus, which will be purchased in 2021-2022.
- On May 18, 2021, the voters of the District approved the use of the capital reserve in the amount of \$1,100,000 for a roof replacement. The District transferred the funds during 2020-2021 to the capital projects fund.
- The District's 2021 property tax levy, including STAR, of \$27,033,579 reflects a 1.67% increase over the 2020 tax levy, which was less than the 2.12% property tax cap.

SPRINGS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management’s discussion and analysis (MD&A), the financial statements, required supplementary information, and other supplementary information. The financial statements consist of district-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:



A. District-Wide Financial Statements

The district-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District’s finances.

These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District’s property tax base and the condition of the District’s school buildings and other facilities.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District’s funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary fund.

SPRINGS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period when they become measurable and available. It recognizes expenditures in the period when the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains seven individual governmental funds: general fund, special aid fund, school food service fund, debt service fund, capital projects fund, extraclassroom activities fund and scholarships fund. Each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

The District reports its fiduciary activities in the fiduciary fund – custodial fund. This fund reports real property taxes collected on behalf of other governments and disbursed to those governments, and utilizes the economic resources measurement focus and the accrual basis of accounting. All of the District's fiduciary activities are reported in a separate statement. The fiduciary activities have been excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The June 30, 2020 total net position was increased, resulting from the implementation of GASB Statement No. 84, Fiduciary Activities, which required the District to record activities that had previously been recorded in the Fiduciary Funds in the Governmental Funds. Consequently, the District now includes the agency fund activities in the general and special aid funds, and the extraclassroom activities and scholarships funds as separate governmental funds. The following is a summary of these changes:

SPRINGS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	As Restated 2020	As Reported 2020	Increase (Decrease)
Current and Other Assets	\$ 12,623,046	\$ 12,483,684	\$ 139,362
Current and Other Liabilities	5,186,657	5,053,992	132,665
Restricted Net Position	4,754,654	4,753,454	1,200
Unrestricted Net Position (Deficit)	(36,206,566)	(36,212,063)	5,497
Total Net Position (Deficit)	(23,018,822)	(23,025,519)	6,697

The District's total net position (deficit) increased by \$3,281,636 between fiscal year 2021 and 2020. The deficit increase is due to expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2021	As Restated 2020	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 18,660,584	\$ 12,623,046	\$ 6,037,538	47.83 %
Capital Assets, Net	18,899,117	8,890,310	10,008,807	112.58 %
Net Pension Asset - Proportionate Share		1,393,312	(1,393,312)	(100.00)%
Total Assets	37,559,701	22,906,668	14,653,033	63.97 %
Deferred Outflows of Resources	17,671,688	18,140,267	(468,579)	(2.58)%
Liabilities				
Current and Other Liabilities	2,431,724	5,186,657	(2,754,933)	(53.12)%
Long-Term Liabilities	18,994,771	1,873,147	17,121,624	914.06 %
Net Pension Liabilities - Proportionate Share	1,484,500	1,216,513	267,987	22.03 %
Total OPEB Liability	51,166,261	49,419,770	1,746,491	3.53 %
Total Liabilities	74,077,256	57,696,087	16,381,169	28.39 %
Deferred Inflows of Resources	7,454,591	6,369,670	1,084,921	17.03 %
Net Position (Deficit)				
Net Investment in Capital Assets	9,411,005	8,433,090	977,915	11.60 %
Restricted	6,137,401	4,754,654	1,382,747	29.08 %
Unrestricted (Deficit)	(41,848,864)	(36,206,566)	(5,642,298)	(15.58)%
Total Net Position (Deficit)	\$ (26,300,458)	\$ (23,018,822)	\$ (3,281,636)	(14.26)%

The increase in current and other assets is primarily related to an increase in cash.

The increase in capital assets, net is due to capital asset and other additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 10 "Capital Assets" provides additional information.

Net pension asset – proportionate share represents the District's share of the New York State Teacher's Retirement System's net pension asset, at the measurement date of the respective year. In the current year, the District's proportionate share shifted from an asset to a liability. The accompanying Notes to Financial Statements, Note 14 "Pension Plans – New York State", provides additional information.

SPRINGS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Deferred outflows of resources represents contributions to the pension plans subsequent to the measurement dates and actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

The decrease in current and other liabilities is primarily due to decreases in accounts payable and due to other governments, offset by increases in accrued liabilities, due to teachers' retirement system and bond anticipation notes payable.

The increase in long-term liabilities is the result of the issuance of serial bonds in the current year and an increase in compensated absences, net of the repayment of the current maturity on bonds and installment debt.

Net pension liabilities – proportionate share represents the District's share of the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System's net pension liabilities, at the measurement date of the respective year. The increase is due to the shift of the net position – asset to a liability for the TRS, offset by a decrease in the pension liability for the ERS. The accompanying Notes to Financial Statements, Note 14 "Pension Plans – New York State", provides additional information.

The total other postemployment benefits (OPEB) liability increased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 16 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years. In addition, deferred inflows of resources includes taxes received by the District before the period for which real property taxes are levied.

The net investment in capital assets is the investment in capital assets at cost, net of accumulated depreciation and related outstanding debt. The accompanying Other Supplementary Information, Schedule of Net Investment in Capital Assets provides additional information.

The restricted net position relates to the District's reserves. This number increased over the prior year primarily due to the funding of the reserves and interest earnings, offset by the District's use of the capital reserve for capital projects.

The unrestricted (deficit) amount relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, certain unfunded liabilities will have the effect of reducing the District's unrestricted net position. One such unfunded liability is the total OPEB liability. In accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB liability.

B. Changes in Net Position

The June 30, 2020 revenues for charges for services and instruction expenses were increased, resulting from the implementation of GASB No. 84, *Fiduciary Activities*, as follows:

	As Restated 2020	As Reported 2020	Increase (Decrease)
Charges for Services	\$ 93,038	\$ 83,085	\$ 9,953
Instruction Expenses	27,569,621	27,562,158	7,463

SPRINGS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of these statements for the years ended June 30, 2021 and 2020 is as follows:

	2021	As Restated 2020	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 315,877	\$ 93,038	\$ 222,839	239.51 %
Operating Grants	774,854	581,683	193,171	33.21 %
Capital Grants	1,561,773		1,561,773	N/A
General Revenues				
Property Taxes and STAR	27,033,579	26,590,249	443,330	1.67 %
State Sources	1,307,723	1,738,120	(430,397)	(24.76)%
Other	333,685	432,784	(99,099)	(22.90)%
Total Revenues	<u>31,327,491</u>	<u>29,435,874</u>	<u>1,891,617</u>	6.43 %
Expenses				
General Support	3,742,039	2,866,339	875,700	30.55 %
Instruction	28,928,241	27,569,621	1,358,620	4.93 %
Pupil Transportation	1,652,054	1,517,503	134,551	8.87 %
Debt Service - Interest	278,133	103,435	174,698	168.90 %
Food Service Program	8,660	12,708	(4,048)	(31.85)%
Total Expenses	<u>34,609,127</u>	<u>32,069,606</u>	<u>2,539,521</u>	7.92 %
Decrease in Net Position	<u>\$ (3,281,636)</u>	<u>\$ (2,633,732)</u>	<u>\$ (647,904)</u>	(24.60)%

The District's net position decreased by \$(3,281,636) and \$(2,633,732) for the years ended June 30, 2021 and 2020, respectively.

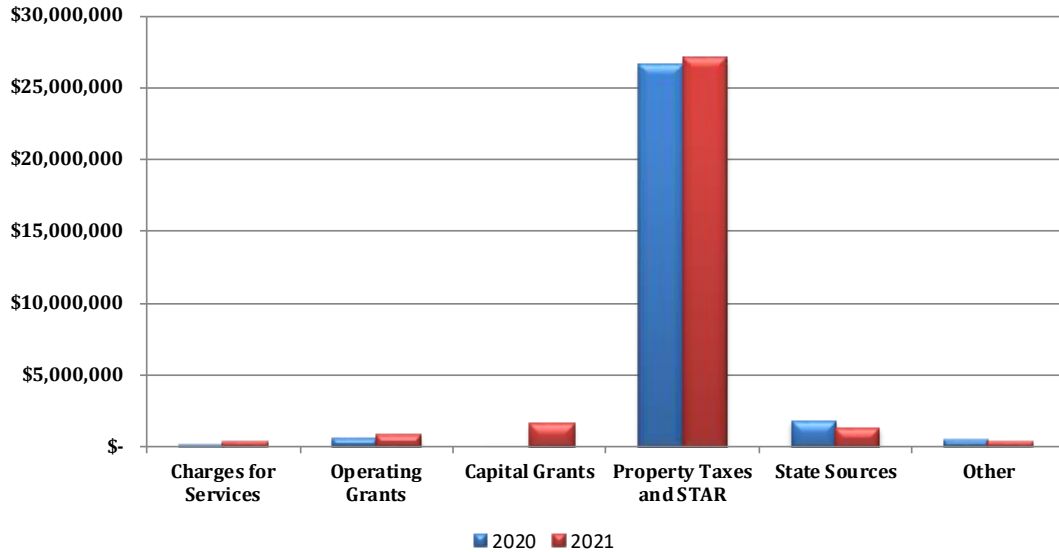
The District's revenues increased by \$1,891,617 or 6.43%, as compared to the prior year. This increase is due to increases in charges for services, operating grants, capital grants, and property taxes and STAR, offset by decreases in state sources and other revenue. The increase in charges for services is due to an increase in tuition, as a result of an increase in enrollment. The increase in operating grants is primarily due to the District receiving additional grant money from the CARES act to relieve the District of additional burdens brought on by the COVID-19 pandemic. In the current year, the District received grant funds from the Dormitory Authority of the State of New York (DASNY) for \$1,339,500 and from the Town of East Hampton for \$222,273, to provide funding for the septic system replacement. The District did not receive similar grants in the prior year. The increase in property taxes and STAR is due to an increase in the tax levy in accordance with the 2020-2021 budget. The decrease in state sources is due to decreases in general aid and excess cost aid. The decrease in other revenue is due to a decrease in miscellaneous revenues.

The District's total expenses for the year increased by \$2,539,521 or 7.92%. The increase in expense is primarily due to increases in general support and instruction costs. The increase in general support is mostly due to increases in central services and special items, as a result of increased costs due to the COVID-19 pandemic. The increase in instruction costs is due to increased salaries and increased tuition costs.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 86.3% and 90.3% of the total for the years 2021 and 2020, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 83.6% and 86.1% for the years 2021 and 2020, respectively).

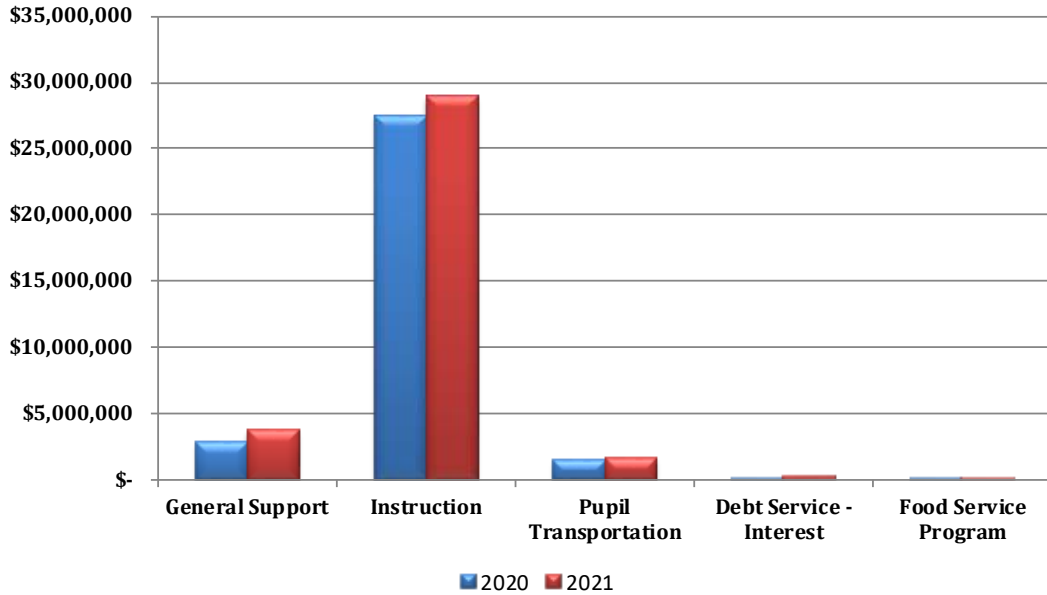
SPRINGS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	Capital Grants	Property Taxes and STAR	State Sources	Other
2020	0.3%	2.0%	0.0%	90.3%	5.9%	1.5%
2021	1.0%	2.5%	5.0%	86.3%	4.2%	1.0%

A graphic display of the distribution of expenses for the two years follows:



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2020	8.9%	86.1%	4.7%	0.3%	0.0%
2021	10.8%	83.6%	4.8%	0.8%	0.0%

SPRINGS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2021, the District's governmental funds reported a combined fund balance of \$16,098,189, which is an increase of \$8,941,475 over the prior year. This increase is due to an excess of revenues and other financing sources over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting. The June 30, 2020 amounts were restated to include the extraclassroom activities and scholarships funds, as a result of the implementation of GASB Statement No. 84. A summary of the change in fund balance by fund is as follows:

	2021	As Restated 2020	Increase (Decrease)	Percentage Change
General Fund				
Restricted:				
Workers' compensation	\$ 165,561	\$ 165,479	\$ 82	0.05 %
Unemployment insurance	144,477	144,404	73	0.05 %
Retirement contribution				
Employees' retirement system	329,692	429,477	(99,785)	(23.23)%
Teachers' retirement system	369,242	187,336	181,906	97.10 %
Insurance	151,507	151,432	75	0.05 %
Employee benefit accrued liability	1,282,767	1,282,126	641	0.05 %
Capital	1,235,626	301,451	934,175	309.89 %
Repairs	1,043,268	1,076,910	(33,642)	(3.12)%
Assigned:				
Appropriated fund balance	735,962	1,031,165	(295,203)	(28.63)%
Unappropriated fund balance	27,957	92,077	(64,120)	(69.64)%
Unassigned: Fund balance	1,232,005	1,201,977	30,028	2.50 %
	<u>6,718,064</u>	<u>6,063,834</u>	<u>654,230</u>	10.79 %
School Food Service Fund				
Assigned: Unappropriated fund balance	4,103	795	3,308	416.10 %
Debt Service Fund				
Restricted: Debt	337,215		337,215	100.00 %
Capital Projects Fund				
Restricted				
Capital	1,072,246	1,014,839	57,407	5.66 %
Unspent debt proceeds	7,866,495	12,341	7,854,154	63642.77 %
Assigned: Unappropriated fund balance	89,141	58,208	30,933	53.14 %
	<u>9,027,882</u>	<u>1,085,388</u>	<u>7,942,494</u>	731.77 %
Extraclassroom Activities Fund				
Assigned: Unappropriated fund balance	5,125	5,497	(372)	(6.77)%
Scholarships Fund				
Restricted: Scholarships	5,800	1,200	4,600	383.33 %
Total Fund Balance	<u>\$ 16,098,189</u>	<u>\$ 7,156,714</u>	<u>\$ 8,941,475</u>	124.94 %

SPRINGS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A. General Fund

The net change in the general fund – fund balance is an increase of \$654,230 compared to an increase of \$1,697,288 in 2020. This resulted from revenues and other financing sources in excess of expenditures and other financing uses.

The District’s revenues and other financing sources increased by \$2,010,440 or 6.98%, as compared to the prior year. This increase was primarily due to increases in property taxes and STAR, charges for services, federal sources and operating transfers in, offset by decreases in miscellaneous revenue and state sources. The increase in property taxes and STAR is due to an increase in the tax levy in accordance with the 2020–2021 budget. The increases in charges for services is due to an increase in enrollment of non-resident students. The increase in federal sources is due to the ESSER and GEER grants received through the CARES Act. In the current year, the District received grants from DASNY and the Town of East Hampton to fund a portion of the costs related to improvements to the septic system. The District initially funded these costs with capital reserve funds in prior years. As such in the current year, the District transferred the capital reserve funds from the capital projects fund to the general fund capital reserve, hence the increase in operating transfers in.

Expenditures and other financing uses increased by \$3,053,498 or 11.26% over the prior year. This increase is due primarily due to increases in general support, instruction and operating transfers out. The increase in general support is mostly due to increases in central services and special items, as a result of increased costs due to the COVID-19 pandemic. The increase in instruction is primarily due to salary increases and increased tuition costs. In May 2021, the voters approved the use of the capital reserve to fund a roof replacement project in the amount of \$1,100,000 as such the District transferred this amount from the general fund to the capital projects fund. The District did not have a similar operating transfer out in the prior year.

The following is a summary of the District’s general fund restricted fund balance activity:

	2020	Use of Reserves	Interest	Funding	2021	Appropriated for June 30, 2022
Workers' compensation	\$ 165,479	\$ (65,000)	\$ 82	\$ 65,000	\$ 165,561	\$ 100,000
Unemployment insurance	144,404		73		144,477	
Retirement contribution						
ERS	429,477	(100,000)	215		329,692	100,000
TRS	187,336		94	181,812	369,242	
Insurance	151,432		75		151,507	
EBALR	1,282,126		641		1,282,767	
Capital	301,451	(1,100,000)	150	2,034,025	1,235,626	
Repairs	1,076,910	(534,000)	358	500,000	1,043,268	
	<u>\$ 3,738,615</u>	<u>\$ (1,799,000)</u>	<u>\$ 1,688</u>	<u>\$ 2,780,837</u>	<u>\$ 4,722,140</u>	<u>\$ 200,000</u>

Additional detail regarding capital reserves can be found in Note 21 “Restricted for Capital Reserve.”

B. School Food Service Fund

The net change in the school food service fund – fund balance is an increase of \$3,308, which was the operating surplus of the food service program.

SPRINGS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

C. Debt Service Fund

The net change in the debt service fund – fund balance is an increase of \$337,215, which represents premiums received on \$16,960,000 bond issuance.

D. Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of \$7,942,494. The District transferred \$1,275,000 into the capital projects fund for the roof replacement and other various district-wide improvements. The District also issued serial bonds in the amount of \$16,960,000 to provide financing for the costs of an addition, alterations, and improvement of school facilities. In addition, the District received grant funds from DASNY and the Town of East Hampton to partially fund the repairs and improvements to the District's septic system. Since all of this work has not been completed, this resulted in the increase.

The following is a summary of the District's capital projects fund restricted fund balance activity:

	2020	Use of Reserves	Funding	2021
May 2014 Reserve	\$ 1,014,839	\$ (1,042,593)	\$ 1,100,000	\$ 1,072,246

E. Extraclassroom Activities Fund

The net change in the extraclassroom activities fund – fund balance is a decrease of \$372 as expenditures of \$8,873 exceeded revenues of \$8,501.

F. Scholarships Fund

The net change in the scholarships fund – fund balance is an increase of \$4,600. Donations of \$6,300 exceeded scholarship payments of \$1,700.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2020-2021 Budget

The District's general fund adopted budget for the year ended June 30, 2021 was \$30,049,430. This amount was increased by encumbrances carried forward from the prior year in the amount of \$92,077 and budget revisions of \$1,634,000 for a total final budget of \$31,775,507.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$27,033,579 in estimated property taxes and STAR.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of current and prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the subsequent year's budget and encumbrances. The change in this balance, demonstrated through a comparison of the actual revenues and expenditures for the year, compared to budget follows:

SPRINGS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Opening, Unassigned Fund Balance	\$ 1,201,977
Revenues Over Budget	2,003,622
Expenditures and Encumbrances Under Budget	1,579,893
Unused Appropriated Reserves	(35,000)
Allocation to Reserves	(2,782,525)
Appropriated to Fund the June 30, 2022 Budget	<u>(735,962)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 1,232,005</u></u>

Opening, Unassigned Fund Balance

The \$1,201,977 shown in the table is the portion of the District's June 30, 2020 fund balance that was retained as unassigned fund balance.

Revenues Over Budget

The 2020-2021 final budget for revenues was \$28,818,265. Actual revenues recognized for the year were \$30,821,887. The actual revenues were higher than budgeted by \$2,003,622, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2020 to June 30, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures and Encumbrances Under Budget

The 2020-2021 final budget for expenditures was \$31,775,507. Actual expenditures as of June 30, 2021 were \$30,167,657 and outstanding encumbrances were \$27,957. Combined, the expenditures plus encumbrances for 2020-2021 were \$30,195,614. The final budget variance was \$1,579,893, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2020 to June 30, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Unused Appropriated Reserves

In the 2020-2021 budget, \$200,000 of reserves was appropriated to reduce the tax levy. Due to lower than anticipated expenditures, \$35,000 of this funding was not needed, and therefore, it was returned to the reserves for future use.

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers. The table in §4.A. of this Management's Discussion and Analysis details the allocation of interest earnings and funding transfers to the reserves.

SPRINGS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Appropriated Fund Balance

The District has chosen to use \$735,962 of the available June 30, 2021 unassigned fund balance to partially fund the 2021-2022 approved operating budget. As such, the June 30, 2021 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2021 was \$1,232,005. This is an increase of \$30,028 over the prior year unassigned fund balance. This unassigned portion is 4.0% of the 2021-2021 budget, which is the amount permissible per New York State Real Property Tax Law §1318.

6. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES

A. Capital Assets

At June 30, 2021, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$10,313,083, in excess of depreciation expense of \$304,276 for the year ended June 30, 2021. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>	Increase (Decrease)
Land	\$ 9,875	\$ 9,875	\$ -
Construction in progress	15,167,827	4,988,458	10,179,369
Buildings and improvements	2,570,222	2,665,566	(95,344)
Site improvements	332,402	357,467	(25,065)
Furniture and equipment	455,770	487,521	(31,751)
Vehicles	<u>363,021</u>	<u>381,423</u>	<u>(18,402)</u>
Capital assets, net	<u>\$ 18,899,117</u>	<u>\$ 8,890,310</u>	<u>\$ 10,008,807</u>

The District is continuing to make significant capital expenditures resulting from a voter approved \$24,525,071 capital project for an addition and improvements to the building. As of June 30, 2021, the District has expended approximately 62% of the authorization and the construction is ongoing.

B. Debt Administration

At June 30, 2021, the District had bond anticipation notes of \$108,000, total bonds payable of \$17,060,000 and total installment purchase contracts payable of \$51,607. The bond anticipation notes and installment purchase debt were issued for the purchase of school buses and a light duty pickup truck. The bonds were issued for school building improvements. The increase in outstanding debt is due to the issuance of \$16,960,000 in serial bonds in the current year, net of principal payments made during the year. A summary of the outstanding bond anticipation notes, serial bonds and installment purchase contracts at June 30, 2021 and 2020 is as follows:

SPRINGS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Issue Date	Interest Rate	2021	2020	Increase (Decrease)
Bond Anticipation Notes Payable				
2019	1.61%	\$ 108,000	\$ 135,000	\$ (27,000)
Bonds Payable				
2002	3.75%	\$ 100,000	\$ 200,000	\$ (100,000)
2020	1.00-2.00%	16,960,000		16,960,000
		<u>\$ 17,060,000</u>	<u>\$ 200,000</u>	<u>\$ 16,860,000</u>
Installment Purchase Debt				
2017	2.00%	\$	\$ 32,985	\$ (32,985)
2018	3.28%	51,607	101,576	(49,969)
		<u>\$ 51,607</u>	<u>\$ 134,561</u>	<u>\$ (82,954)</u>

On March 8, 2018, the voters of the District authorized the issuance of \$16,960,000 in serial bonds to fund an addition and improvements to the building. As of June 30, 2021, the District has issued \$16,960,000 related to this authorization.

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2. The District's outstanding debt at June 30, 2021 is approximately 3.67% of the District's debt limit.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, which are based on employment contracts, and workers' compensation liabilities, net pension liabilities – proportionate share and total other postemployment benefits liability, which are based on actuarial valuations. A summary of the outstanding other long-term liabilities at June 30, 2021 and 2020 is as follows:

	2021	2020	Increase (Decrease)
Compensated absences payable	\$ 1,349,239	\$ 1,323,760	\$ 25,479
Workers' compensation liabilities	88,710	79,826	8,884
Net pension liabilities - proportionate share	1,484,500	1,216,513	267,987
Total OPEB liability	<u>51,166,261</u>	<u>49,419,770</u>	<u>1,746,491</u>
	<u>\$ 54,088,710</u>	<u>\$ 52,039,869</u>	<u>\$ 2,048,841</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 18, 2021, for the year ending June 30, 2022, is \$30,800,134. This is an increase of \$750,704 or 2.50% over the previous year's budget.

SPRINGS UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The District budgeted revenues other than property taxes at a \$490,330 increase over the prior year's estimate. The assigned, appropriated fund balance applied to the June 30, 2022 budget in the amount of \$735,962 is a decrease of \$295,203 from the prior year. The District will also utilize \$100,000 of the retirement contribution reserve and \$100,000 of the workers' compensation reserve to fund the 2021-2022 budget, which is the same as the prior year. A property tax increase of \$555,577 or 2.06% over the prior year levy was needed to meet the revenue shortfall and cover the increase in appropriations.

B. Future Budgets

The property tax cap, uncertainty in state aid and federal funding, as well as the continuing effect of the COVID-19 pandemic, will impact the District's future budgets.

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2.00% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2021-2022 is 3.90%. The District's 2021-2022 property tax increase of 2.06% was less than the tax cap and did not require an override vote.

8. CONTACTING THE DISTRICT

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Mr. Michael Henery
School Business Administrator
Springs Union Free School District
48 School Street
East Hampton, New York 11937

SPRINGS UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2021

ASSETS

Cash	
Unrestricted	\$ 3,144,926
Restricted	14,003,896
Receivables	
Accounts receivable	18,478
Due from state and federal	1,006,064
Due from other governments	380,484
Other assets	106,736
Capital assets:	
Not being depreciated	15,177,702
Being depreciated, net of accumulated depreciation	<u>3,721,415</u>
Total Assets	<u>37,559,701</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	6,082,639
Other postemployment benefits	<u>11,589,049</u>
Total Deferred Outflows of Resources	<u>17,671,688</u>

LIABILITIES

Payables	
Accounts payable	666,131
Accrued liabilities	260,935
Due to other governments	180,273
Due to teachers' retirement system	990,554
Due to employees' retirement system	61,922
Other liabilities	109,370
Unearned credits	
Collections in advance	27,539
Notes payable	
Bond anticipation notes	135,000
Long-term liabilities	
Due and payable within one year	
Bond anticipation notes	108,000
Bonds payable, net	131,055
Installment purchase debt payable	51,607
Compensated absences payable	135,052
Due and payable after one year	
Bonds payable, net	17,266,160
Compensated absences payable	1,214,187
Workers' compensation liabilities	88,710
Net pension liabilities - proportionate share	1,484,500
Total other postemployment liability	<u>51,166,261</u>
Total Liabilities	<u>74,077,256</u>

DEFERRED INFLOWS OF RESOURCES

Deferred revenues	21,360
Pensions	2,269,991
Other postemployment benefits	<u>5,163,240</u>
Total Deferred Inflows of Resources	<u>7,454,591</u>

NET POSITION (DEFICIT)

Net investment in capital assets	<u>9,411,005</u>
Restricted	
Workers' compensation	165,561
Unemployment insurance	144,477
Retirement contribution	
Teachers' retirement system	369,242
Employees' retirement system	329,692
Insurance	151,507
Employee benefit accrued liability	1,282,767
Capital	2,307,872
Repairs	1,043,268
Debt	337,215
Scholarships	5,800
	<u>6,137,401</u>
Unrestricted (deficit)	<u>(41,848,864)</u>
Total Net Position (Deficit)	<u>\$ (26,300,458)</u>

SPRINGS UNION FREE SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2021

		Program Revenues				Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants	Capital Projects			
FUNCTIONS/PROGRAMS						
General support	\$ 3,742,039	\$	\$ 238,954	\$	\$	(3,503,085)
Instruction	28,928,241	315,877	531,932	1,561,773		(26,518,659)
Pupil transportation	1,652,054					(1,652,054)
Debt service - interest	278,133					(278,133)
Food service program	8,660		3,968			(4,692)
Total Functions and Programs	\$ 34,609,127	\$ 315,877	\$ 774,854	\$ 1,561,773		(31,956,623)
GENERAL REVENUES						
Real property taxes						26,698,942
Other tax items						459,906
Use of money and property						8,823
Sale of property and compensation for loss						21,261
Miscellaneous						136,093
State sources						1,307,723
Medicaid reimbursement						42,239
Total General Revenues						28,674,987
Change in Net Position (Deficit)						(3,281,636)
Total Net Position (Deficit) - Beginning of Year, as Restated						(23,018,822)
Total Net Position (Deficit) - End of Year						\$ (26,300,458)

SPRINGS UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2021

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Extracurricular Activities	Scholarships	Total Governmental Funds
ASSETS								
Cash								
Unrestricted	\$ 1,876,770	\$ 101,666	\$ 4,766	\$	\$ 1,156,634	\$ 5,090	\$	\$ 3,144,926
Restricted	5,065,155				8,938,741			14,003,896
Receivables								
Accounts receivable	13,319	5,159						18,478
Due from other funds	751,279	12,795		337,215		35	5,800	1,107,124
Due from state and federal	376,988	537,291	1,974		89,811			1,006,064
Due from other governments	380,484							380,484
Total Assets	<u>\$ 8,463,995</u>	<u>\$ 656,911</u>	<u>\$ 6,740</u>	<u>\$ 337,215</u>	<u>\$ 10,185,186</u>	<u>\$ 5,125</u>	<u>\$ 5,800</u>	<u>\$ 19,660,972</u>
LIABILITIES								
Payables								
Accounts payable	\$ 190,688	\$	\$ 176	\$	\$ 475,267	\$	\$	\$ 666,131
Accrued liabilities	65,021	565						65,586
Due to other funds	18,630	628,807	2,461		457,226			1,107,124
Due to other governments	180,273							180,273
Due to teachers' retirement system	990,554							990,554
Due to employees' retirement system	61,922							61,922
Other liabilities	109,370							109,370
Unearned credits								
Collections in advance		27,539						27,539
Notes Payable								
Bond anticipation notes					135,000			135,000
Total Liabilities	<u>1,616,458</u>	<u>656,911</u>	<u>2,637</u>	<u>-</u>	<u>1,067,493</u>	<u>-</u>	<u>-</u>	<u>3,343,499</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred revenues	129,473				89,811			219,284
FUND BALANCES								
Restricted:								
Workers' compensation	165,561							165,561
Unemployment insurance	144,477							144,477
Retirement contribution								
Teachers' retirement system	369,242							369,242
Employees' retirement system	329,692							329,692
Insurance	151,507							151,507
Employee benefit accrued liability	1,282,767							1,282,767
Capital	1,235,626				1,072,246			2,307,872
Repairs	1,043,268							1,043,268
Debt				337,215				337,215
Unspent debt proceeds					7,866,495			7,866,495
Scholarships							5,800	5,800
Assigned:								
Appropriated fund balance	735,962							735,962
Unappropriated fund balance	27,957		4,103		89,141	5,125		126,326
Unassigned: Fund balance	1,232,005							1,232,005
Total Fund Balances	<u>6,718,064</u>	<u>-</u>	<u>4,103</u>	<u>337,215</u>	<u>9,027,882</u>	<u>5,125</u>	<u>5,800</u>	<u>16,098,189</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,463,995</u>	<u>\$ 656,911</u>	<u>\$ 6,740</u>	<u>\$ 337,215</u>	<u>\$ 10,185,186</u>	<u>\$ 5,125</u>	<u>\$ 5,800</u>	<u>\$ 19,660,972</u>

SPRINGS UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position

June 30, 2021

Total Governmental Fund Balances		\$ 16,098,189
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Cash held by third-party administrator is treated as a long-term asset and included in net position.		106,736
The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	\$ 23,650,612	
Less: Accumulated depreciation	<u>(4,751,495)</u>	18,899,117
Proportionate share of long-term liabilities, as well as deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or liabilities and are not reported in the funds.		
Deferred outflows of resources	6,082,639	
Net pension liability - teachers' retirement system	(1,479,974)	
Net pension liability - employees' retirement system	(4,526)	
Deferred inflows of resources	<u>(2,269,991)</u>	2,328,148
Total other postemployment benefits liability and deferred outflows and inflows related to providing benefits in retirement are not current financial resources or liabilities and are not reported in the funds.		
Deferred outflows of resources	11,589,049	
Total other postemployment benefits liability	(51,166,261)	
Deferred inflows of resources	<u>(5,163,240)</u>	(44,740,452)
Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.		
		197,924
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Accrued interest on bonds payable	(195,349)	
Bond anticipation notes payable	(108,000)	
Bonds payable	(17,397,215)	
Installment purchase debt payable	(51,607)	
Compensated absences payable	(1,349,239)	
Workers' compensation liabilities	<u>(88,710)</u>	(19,190,120)
Total Net Position (Deficit)		<u>\$ (26,300,458)</u>

SPRINGS UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2021

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Extraclassroom Activities	Scholarships	Total Governmental Funds
REVENUES								
Real property taxes	\$ 26,698,942	\$	\$	\$	\$	\$	\$	\$ 26,698,942
Other tax items	459,906							459,906
Charges for services	301,076							301,076
Sale of property and compensation for loss	21,261							21,261
Use of money and property	8,823							8,823
Miscellaneous	136,093	20,880			222,273	8,501	6,300	394,047
State sources	1,352,820	109,286			1,339,500			2,801,606
Medicaid reimbursement	42,239							42,239
Federal sources	238,954	401,766	3,968					644,688
Total Revenues	29,260,114	531,932	3,968	-	1,561,773	8,501	6,300	31,372,588
EXPENDITURES								
General support	2,740,196							2,740,196
Instruction	19,688,663	531,148				8,873	1,700	20,230,384
Pupil transportation	893,179	12,580			113,137			1,018,896
Employee benefits	5,252,961							5,252,961
Debt service								
Principal	209,954							209,954
Interest	87,908							87,908
Food service program			8,660					8,660
Capital outlay					10,179,369			10,179,369
Total Expenditures	28,872,861	543,728	8,660	-	10,292,506	8,873	1,700	39,728,328
Excess (Deficiency) of Revenues Over Expenditures	387,253	(11,796)	(4,692)	-	(8,730,733)	(372)	4,600	(8,355,740)
OTHER FINANCING SOURCES AND (USES)								
Proceeds of obligations					16,960,000			16,960,000
Premium on obligation				337,215				337,215
Operating transfers in	1,561,773	11,796	8,000		1,275,000			2,856,569
Operating transfers (out)	(1,294,796)				(1,561,773)			(2,856,569)
Total Other Financing Sources and (Uses)	266,977	11,796	8,000	337,215	16,673,227	-	-	17,297,215
Net Change in Fund Balances	654,230	-	3,308	337,215	7,942,494	(372)	4,600	8,941,475
Fund Balances								
Beginning of Year, as Restated	6,063,834	-	795	-	1,085,388	5,497	1,200	7,156,714
End of Year	<u>\$ 6,718,064</u>	<u>\$ -</u>	<u>\$ 4,103</u>	<u>\$ 337,215</u>	<u>\$ 9,027,882</u>	<u>\$ 5,125</u>	<u>\$ 5,800</u>	<u>\$ 16,098,189</u>

SPRINGS UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities

For the Year Ended June 30, 2021

Net Change in Fund Balances \$ 8,941,475

Amounts reported for governmental activities in the Statement of Activities are different because:

Long-Term Revenue and Expense Differences

Certain revenues are recognized in the governmental funds when they provide current financial resources. However, these revenues were recognized in the Statement of Activities in prior years when they were earned.

\$ (45,097)

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) are being held by a third-party administrator. This is the amount by which other assets - cash held by third-party administrator increased in the period.

86,318

Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but expensed in the Statement of Activities.

Increase in workers' compensation claims liability
 Increase in compensated absences payable

(8,884)
(25,479)

6,858

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlays and other additions exceeded depreciation in the period.

Capital outlays and other additions
 Depreciation expense

10,313,083
(304,276)

10,008,807

Long-Term Debt Transactions Differences

Proceeds and premium from the issuance of long-term debt are other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position, and do not affect the Statement of Activities.

(17,297,215)

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Repayment of BAN principal
 Repayment of bond principal
 Repayment of installment purchase debt

27,000
 100,000
 82,954

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is interest increased from June 30, 2020 to June 30, 2021.

(190,225)

(17,277,486)

Pension and Other Postemployment Benefits Differences

The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.

Teachers' retirement system
 Employees' retirement system
 Other postemployment benefits

(1,065,584)
 96,023
(3,991,729)

(4,961,290)

Change in Total Net Position (Deficit) of Governmental Activities

\$ (3,281,636)

SPRINGS UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position - Fiduciary Fund
June 30, 2021

	Custodial
ASSETS	
Cash and cash equivalents	\$ -
NET POSITION	
Restricted for individuals, organizations, and other governments	\$ -

Statement of Changes in Fiduciary Net Position - Fiduciary Fund
For the Year Ended June 30, 2021

	Custodial
ADDITIONS	
Real property taxes collections for the Library	\$ 363,855
DEDUCTIONS	
Payments of real property taxes to the Library	363,855
Change in Net Position	-
Net Position - Beginning of Year	-
Net Position - End of Year	\$ -

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Springs Union Free School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

A. Reporting Entity

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of five members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no entities that would be included in the District's reporting entity.

B. Joint Venture

The District is a component district in the Board of Cooperative Educational Services of Eastern Suffolk (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the District at fiscal year end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

Governmental Funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

General Fund - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Aid Fund - is used to account for the proceeds of specific revenue sources such as federal and state grants that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

School Food Service Fund - is used to account for the activities of the food service program.

Debt Service Fund - accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation debt of governmental activities.

Capital Projects Fund - is used to account for the financial resources used for acquisition, construction, renovation or major repair of capital facilities and other capital assets.

Extraclassroom Activities Fund - is used to account for the funds operated by and for the students of the District.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Scholarships Fund – is used to account for funds collected that benefit annual third-party awards and scholarships for students.

Fiduciary Funds – are used to account for activities in which the District acts as trustee or custodian for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used to finance District operations. The following is the District’s fiduciary fund:

Custodial Fund – is used to account for real property taxes collected on behalf of other governments and disbursed to those governments.

D. Measurement Focus and Basis of Accounting

Measurement focus describes what type of information is reported, and is either the economic resources measurement focus or the current financial resources measurement focus. The economic resources measurement focus reports all assets, liabilities and deferred resources related to a given activity, as well as transactions of the period that affect net position. For example, all assets, whether financial (e.g., cash and receivables) or capital (e.g., property and equipment) and liabilities (including long-term debt and obligations) are reported. The current financial resources measurement focus reports more narrowly on assets, liabilities and deferred resources that are relevant to near-term liquidity, along with net changes resulting from transactions of the period. Consequently, capital assets and the unmatured portion of long-term debt and certain other liabilities the District would not expect to liquidate currently with expendable available financial resources (e.g., compensated absences for employees still in active service) would not be reported.

Basis of accounting describes when changes are recognized, and is either the accrual basis of accounting or the modified accrual basis of accounting. The accrual basis of accounting recognizes changes in net position when the underlying event occurs, regardless of the timing of related cash flows. The modified accrual basis of accounting recognizes changes only at the point they affect near-term liquidity.

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, state aid, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, other postemployment benefits, and pension costs, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Real Property Taxes

Calendar

Real property taxes are levied annually by the Board no later than October 15th and become a lien on November 1st. Taxes are collected by the Town of East Hampton and remitted to the District from December to June.

The District also levies the real property taxes for the East Hampton Public Library, which are collected by the Town and included in the amount remitted to the District. The District remits the Library's share of the tax levy in one installment. These pass through amounts are not included in the District's property taxes, but are accounted for within the custodial fund.

Enforcement

Uncollected real property taxes are subsequently enforced by Suffolk County in June.

F. Payments in Lieu of Taxes (PILOT)

The District reports PILOT revenues in the general fund as part of other tax items revenues. These PILOT revenues are often the result of tax abatements granted by industrial development agencies of the Town and/or the County to help promote local economic development. Property owners make PILOT payments to the government agencies, which in turn remit the collected payments to the District.

The District's PILOT revenues include payments from the Long Island Power Authority (LIPA). These LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77, *Tax Abatement Disclosures*, under which an entity receiving a reduction in tax revenues promises to take specific action that contributes directly to economic development or otherwise benefits the governments or residents of the governments. The District received \$125,269 in LIPA PILOT revenue during the 2020-2021 fiscal year.

G. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net resources are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.

H. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

In the district-wide statements, eliminations have been made for all interfund receivables and payables between the funds.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including revenue availability, compensated absences, pension costs, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities, and useful lives of capital assets.

J. Cash and Cash Equivalents/Investments

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

Investments are reported at fair value, based on quoted market prices.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

K. Receivables

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

L. Capital Assets

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation.

All capital assets, except land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the district-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 1,000	50 years
Site improvements	1,000	20 years
Furniture and equipment	1,000	5-20 years
Vehicles	1,000	5-10 years

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

M. Other Assets

Other assets represent amounts on deposit that are being held by a third-party administrator for workers' compensation claims.

N. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. First is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The second item is related to OPEB and represents the change in the total other postemployment benefits liability not included in OPEB expense.

O. Short-Term Debt

The District may issue revenue anticipation notes (RAN) and tax anticipation notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date, seven years if originally issued during calendar year 2015 through and including 2021. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue, unless a portion is redeemed within two years and within each twelve-month period thereafter.

BANs that are replaced with long-term financing, or renewed subsequent to the year-end, are treated as long-term liabilities, as these notes will not require the use of working capital during that period.

P. Collections in Advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

Q. Employee Benefits – Compensated Absences

Compensated absences consist of unpaid accumulated sick leave and vacation time.

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Certain collectively bargained agreements require these payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

R. Other Benefits

Eligible District employees participate in the New York State Teachers' Retirement System or the New York State Employees' Retirement System.

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

The District provides individual or family health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides individual, family or surviving spouse postemployment health insurance coverage for eligible retired employees. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Healthcare benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

S. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue/expense credit) until that time. The District has three items that qualify for reporting in this category. First is deferred revenues, reported in the governmental fund when potential revenues do not meet the availability criterion for recognition in the current period. This includes property taxes received by the District before the period for which the real property taxes are levied, and unavailable revenues, such as state aid allocation and smart schools bond act receivables. In subsequent periods, when the District has legal claim to the resources, and when the availability criterion is met the property taxes and receivables will be recognized as revenues. In the District-wide financial statements, property taxes remain as deferred inflows and unavailable revenues are treated as revenues. The second item, reported in the Statement of Net Position, is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position and represents the change in the total other postemployment benefits liability not included in OPEB expense.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

T. Equity Classifications

District-Wide Statements

In the district-wide statements there are three classes of net position:

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction, and improvements of those assets.

Restricted – Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Workers' Compensation Reserve

Workers' Compensation Reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund.

Unemployment Insurance Reserve

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State Teachers' Retirement System and the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. Effective April 1, 2019, a board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2.00% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10.00% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund.

Insurance Reserve

Insurance Reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

Capital Reserve

Capital Reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. These reserves are accounted for in the general fund and capital projects fund.

Repairs Reserve

Repairs Reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval,

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. The reserve is accounted for in the general fund.

Restricted for Debt Service

Unexpended balances of proceeds of borrowings for capital projects, interest, and earnings from investing proceeds of obligations, and premiums and accrued interest on long-term borrowings are recorded in the debt service fund and held until appropriated for debt payments. These restricted amounts are accounted for in the debt service fund.

Restricted – Unspent Debt Proceeds

Unspent long-term debt proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

Restricted for Scholarships

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, including earnings and net of awards. These restricted funds are accounted for in the scholarships fund.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District’s Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year’s budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

Unassigned – Represents the residual classification for the District’s general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from the overspending of available resources. NYS Real Property Tax Law §1318, restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year’s budget.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Education if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

The Board of Education shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the Board will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities*. This statement provides guidance for identifying fiduciary activities, primarily based on whether the assets associated with the activities are controlled by the government and the government does not have administrative involvement with the assets. As a result, agency activities previously reported within the fiduciary funds are now reported within the governmental funds.

3. FUTURE ACCOUNTING STANDARDS

The GASB Statements are issued to set generally accepted accounting principles (GAAP) for state and local governments. The following is not an all-inclusive list of GASB standards issued, but the statement that the District feels may have a future impact on these financial statements. The District will evaluate the impact of this pronouncement and implement it, as applicable, if material.

Effective for the Year Ending	Statement
June 30, 2022	GASB No. 87 - <i>Leases</i>

GASB Statement No. 87 will change the reporting of leases in the district-wide financial statements. A lessee will be required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of financial resources.

4. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE DISTRICT-WIDE FUND STATEMENTS AND THE GOVERNMENTAL FUND STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the district-wide statements and the governmental fund statements, certain financial transactions are treated differently. The financial statements contain a full reconciliation of these items.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities.

B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan.

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for health insurance premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

5. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

The voters of the District approved the proposed appropriation budget for the general fund.

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriation occurred during the year:

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Roof repair/replacement funded by capital reserve as approved by the voters	\$ 1,100,000
Appropriation from repair reserve to fund emergency repairs and COVID-19 expense	<u>534,000</u>
	<u>\$ 1,634,000</u>

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the District's behalf at year-end.

The District did not have any investments at year-end or during the year. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Pool:

The District participates in the Cooperative Liquid Assets Securities System – New York (NYCLASS) a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11.

Total investments of the cooperative at June 30, 2021 are \$3,369,558,223, which consisted of \$371,757,483 in repurchase agreements, \$1,940,950,074 in U.S. Treasury Securities and \$1,057,257,103 in collateralized bank deposits, with various interest rates and due dates.

The amount of \$753,728 is included as cash in the general fund.

The above amounts represent the cost of the investment pool shares, which approximates market value. The lead participant of NYCLASS is the Village of Potsdam. Additional information concerning NYCLASS, including the annual report, can be found on its website at www.newyorkclass.org.

7. PARTICIPATION IN BOCES

During the year ended June 30, 2021, the District was billed \$1,013,774 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$193,225. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

8. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2021 consisted of:

General Fund	
New York State - excess cost aid	\$ 187,817
Federal - CARES Act	189,171
	<u>376,988</u>
Special Aid Fund	
Federal and state grants	537,291
School Food Service Fund	
Federal and state food service program reimbursements	1,974
Capital Projects Fund	
Smart Schools Bond Act	<u>89,811</u>
	<u>\$ 1,006,064</u>

District management expects these amounts to be fully collectible.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

9. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2021 consisted of:

General Fund		
BOCES aid	\$	179,767
Tuition from other districts		<u>200,717</u>
	\$	<u><u>380,484</u></u>

District management expects these amounts to be fully collectible.

10. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2021 were as follows:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2021</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 9,875	\$	\$	\$ 9,875
Construction in progress	<u>4,988,458</u>	<u>10,179,369</u>		<u>15,167,827</u>
Total capital assets not being depreciated	<u>4,998,333</u>	<u>10,179,369</u>	<u>-</u>	<u>15,177,702</u>
Capital assets being depreciated:				
Buildings and improvements	5,159,249			5,159,249
Site improvements	678,205			678,205
Furniture and equipment	879,569	20,577	(110,881)	789,265
Vehicles	<u>1,733,054</u>	<u>113,137</u>		<u>1,846,191</u>
Total capital assets being depreciated	<u>8,450,077</u>	<u>133,714</u>	<u>(110,881)</u>	<u>8,472,910</u>
Less accumulated depreciation for:				
Buildings and improvements	2,493,683	95,344		2,589,027
Site improvements	320,738	25,065		345,803
Furniture and equipment	392,048	52,328	(110,881)	333,495
Vehicles	<u>1,351,631</u>	<u>131,539</u>		<u>1,483,170</u>
Total accumulated depreciation	<u>4,558,100</u>	<u>304,276</u>	<u>(110,881)</u>	<u>4,751,495</u>
Total capital assets, being depreciated, net	<u>3,891,977</u>	<u>(170,562)</u>	<u>-</u>	<u>3,721,415</u>
Capital assets, net	<u>\$ 8,890,310</u>	<u>\$ 10,008,807</u>	<u>\$ -</u>	<u>\$ 18,899,117</u>

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged to governmental functions as follows:

General support	\$ 140,043
Instruction	32,694
Pupil transportation	<u>131,539</u>
Total depreciation expense	<u><u>\$ 304,276</u></u>

11. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2021 are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 751,279	\$ 18,630	\$ 1,561,773	\$ 1,294,796
Special Aid Fund	12,795	628,807	11,796	
School Food Service Fund		2,461	8,000	
Debt Service Fund	337,215			
Capital Projects Fund		457,226	1,275,000	1,561,773
Extracurricular Activities Fund	35			
Scholarships Fund	5,800			
	<u>\$ 1,107,124</u>	<u>\$ 1,107,124</u>	<u>\$ 2,856,569</u>	<u>\$ 2,856,569</u>

The District typically transfers from the general fund to the special aid fund and the school food service fund in accordance with the general fund budget. The transfer to the special aid from the general fund is to provide the District's 20% share of the summer program for students with disabilities and amounts to subsidize the in-house summer program. The transfer to the school food service fund from the general fund is to subsidize the program. The transfer to the capital projects fund in the amount of \$1,100,000 was a voter approved use of the capital reserve and was a general fund budget revision. In addition, the District transferred \$175,000 for capital improvements in accordance with the adopted 2020-2021 budget.

12. SHORT-TERM DEBT

Short-term activity for the year is summarized below:

	Maturity	Stated Interest Rate	Balance June 30, 2020	Issued	Redeemed	Balance June 30, 2021
TAN	6/25/2021	1.50%	\$ -	\$ 6,000,000	\$ (6,000,000)	\$ -
BAN	11/19/2021	1.00%	-	135,000		135,000
			<u>\$ -</u>	<u>\$ 6,135,000</u>	<u>\$ (6,000,000)</u>	<u>\$ 135,000</u>

The TAN was issued to provide cash flow for the District until the District receives the real property taxes from the Town. The BAN was issued to provide cash for the purchase of a bus and related equipment. A portion of the BAN issued in November 2020 was treated as long-term in the prior year. See additional information in Note 13 "Long-term Liabilities".

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Interest on short-term debt for the year was \$75,417. The District received a premium of \$50,164, which was included in miscellaneous revenue in the general fund.

13. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pensions and other postemployment benefits liabilities, for the year are summarized below:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Long-term debt:					
BAN payable	\$ 135,000	\$	\$ (27,000)	\$ 108,000	\$ 108,000
Bonds payable	200,000	16,960,000	(100,000)	17,060,000	100,000
Add: Deferred premium		337,215		337,215	31,055
Installment purchase debt	134,561		(82,954)	51,607	51,607
Other long-term liabilities:					
Compensated absences	1,323,760	25,479		1,349,239	135,052
Workers' compensation	79,826	27,341	(18,457)	88,710	
	<u>\$ 1,873,147</u>	<u>\$ 17,350,035</u>	<u>\$ (228,411)</u>	<u>\$ 18,994,771</u>	<u>\$ 425,714</u>

The general fund has typically been used to liquidate other long-term liabilities.

B. Bond Anticipation Notes Payable

	Maturity	Stated Interest Rate	Balance June 30, 2020	Issued	Redeemed	Balance June 30, 2021
BAN	11/20/2020	1.61%	\$ 135,000	\$	\$ (135,000)	\$ -
BAN	11/19/2021	1.00%	-	108,000		108,000
			<u>\$ 135,000</u>	<u>\$ 108,000</u>	<u>\$ (135,000)</u>	<u>\$ 108,000</u>

The BANs were used to provide cash for the purchase of buses and a light duty truck.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2021
Building addition	10/15/2002	4/15/2022	3.75%	\$ 100,000
Building addition	9/2/2020	9/1/2041	1.00-2.00%	16,960,000
				<u>\$ 17,060,000</u>

The following is a summary of debt service requirements for bonds payable:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 100,000	\$ 433,953	\$ 533,953
2023	715,000	283,425	998,425
2024	720,000	276,250	996,250
2025	730,000	269,000	999,000
2026	740,000	261,650	1,001,650
2027-2031	3,930,000	1,176,925	5,106,925
2032-2036	4,340,000	798,800	5,138,800
2037-2041	4,775,000	343,250	5,118,250
2042-2043	1,010,000	10,100	1,020,100
Total	<u>\$ 17,060,000</u>	<u>\$ 3,853,353</u>	<u>\$ 20,913,353</u>

The premium received from the 2020 bond issuance are being amortized as a component of interest expense on the weighted average over the life of the bonds in the district-wide statements as follows:

Year Ending June 30,	Amortization of Premium
2022	\$ 31,055
2023	29,713
2024	28,357
2025	26,982
2026	25,584
2027-2031	105,928
2032-2036	66,510
2037-2041	23,086
	<u>\$ 337,215</u>

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Installment Purchase Debt

Installment purchase debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2021
Thomas school bus	8/30/2018	8/30/2021	3.28%	<u>\$ 51,607</u>

The following is a summary of debt service requirements for installment purchase debt payable:

Year Ending June 30,	Principal	Interest	Total
2022	<u>\$ 51,607</u>	<u>\$ 1,693</u>	<u>\$ 53,300</u>

E. Interest Expense

Interest on long-term debt for the year was composed of:

Interest paid	\$ 12,491
Less interest accrued in the prior year	(5,124)
Plus interest accrued in the current year	<u>195,349</u>
Total interest expense on long-term debt	<u>\$ 202,716</u>

14. PENSION PLANS – NEW YORK STATE

A. General Information

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, public employee retirement systems. The systems provide retirement, disability, withdrawal, and death benefits to plan members and beneficiaries related to years of service and final average salary.

B. Provisions and Administration

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 8.86% of covered payroll for the TRS' fiscal year ended June 30, 2020. The District's average contribution rate was 13.98% of covered payroll for the ERS' fiscal year ended March 31, 2021.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2021 was \$888,814 for TRS at the contribution rate of 9.53% and \$193,252 for ERS at an average contribution rate of 13.83%.

D. Pension Asset/(Liability), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2020, for TRS and March 31, 2021 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS systems in reports provided to the District.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2020	March 31, 2021
District's proportionate share of the net pension asset/(liability)	\$ (1,479,974)	\$ (4,526)
District's portion of the Plan's total net pension asset/(liability)	0.053559%	0.0045454%
Change in proportion since the prior measurement date	(0.000071)	(0.0000486)

For the year ended June 30, 2021, the District recognized pension expense of \$1,954,860 for TRS and \$103,567 for ERS. At June 30, 2021, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 1,296,753	\$ 55,275	\$ 75,846	\$
Changes of assumptions	1,871,822	832,192	667,207	15,695
Net difference between projected and actual earnings on pension plan investments	966,553			1,300,144
Changes in proportion and differences between the District's contributions and proportionate share of contributions	93,176	16,132	203,957	7,142
District contributions subsequent to the measurement date	<u>888,814</u>	<u>61,922</u>		
Total	<u><u>\$ 5,117,118</u></u>	<u><u>\$ 965,521</u></u>	<u><u>\$ 947,010</u></u>	<u><u>\$ 1,322,981</u></u>

District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>TRS</u>	<u>ERS</u>
2022	\$ 538,826	\$ (71,412)
2023	1,126,116	(27,069)
2024	924,899	(69,688)
2025	578,971	(251,213)
2026	41,518	
Thereafter	<u>70,964</u>	
	<u><u>\$ 3,281,294</u></u>	<u><u>\$ (419,382)</u></u>

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions

The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension asset/(liability) to the measurement date. The actuarial valuations used the following actuarial assumptions:

	TRS	ERS
Measurement date	June 30, 2020	March 31, 2021
Actuarial valuation date	June 30, 2019	April 1, 2020
Inflation	2.20%	2.70%
Salary increases	1.90-4.72%	4.40%
Investment rate of return (net of investment expense, including inflation)	7.10%	5.90%
Cost of living adjustments	1.30%	1.40%

For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2019 applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 system experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020.

For TRS, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

For TRS, the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class, as well as historical investment data and plan performance.

For ERS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2020		March 31, 2021
Asset type				
Domestic equity	33.0%	7.10%	32.0%	4.05%
International equity	16.0%	7.70%	15.0%	6.30%
Global equity	4.0%	7.40%		
Real estate	11.0%	6.80%	9.0%	4.95%
Private equities	8.0%	10.40%	10.0%	6.75%
Alternatives investments			10.0%	3.63-5.95%
Domestic fixed income securities	16.0%	1.80%		
Global fixed income securities	2.0%	1.00%		
High-yield fixed income securities	1.0%	3.90%		
Bonds and mortgages			23.0%	0.00%
Private debt	1.0%	5.20%		
Real estate debt	7.0%	3.60%		
Cash and equivalents	1.0%	0.70%		
Cash			1.0%	0.50%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.2% for TRS and 2.0% for ERS.

Discount Rate

The discount rate used to measure the total pension liability was 7.10% for TRS and 5.90% for ERS (the discount rate used by the ERS at the prior year's measurement date of March 31, 2020, was 6.80%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.10% for TRS and 5.90% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.10% for TRS and 4.90% for ERS) or 1 percentage point higher (8.10% for TRS and 6.90% for ERS) than the current rate:

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

TRIS	1% Decrease 6.10%	Current Assumption 7.10%	1% Increase 8.10%
District's proportionate share of the net pension asset (liability)	\$ (9,348,484)	\$ (1,479,974)	\$ 5,123,700
	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
ERS			
District's proportionate share of the net pension asset (liability)	\$ (1,256,252)	\$ (4,526)	\$ 1,149,859

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measurement dates were as follows:

	TRIS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2020	March 31, 2021
Employers' total pension liability	\$ (123,242,776)	\$ (220,680,157)
Plan fiduciary net position	120,479,505	220,580,583
Employers' net pension liability	\$ (2,763,271)	\$ (99,574)
Ratio of plan fiduciary net position to the employers' total pension liability	97.76%	99.95%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021, are paid to the system in September, October, and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2021, represent employer and employee contributions for the fiscal year ended June 30, 2021, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2021 amounted to \$888,814 of employer contributions and \$101,740 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2021, represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$61,922 of employer contributions. Employee contributions are remitted monthly.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

15. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the employees for the year ended June 30, 2021, totaled \$353,511.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this plan. The amount deferred by eligible employees for the year ended June 30, 2021 totaled \$11,633.

16. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District provides OPEB for eligible retired employees of the District. The benefits provided to employees upon retirement are based on provisions in the various contracts that the District has in place with different classifications of employees. The plan is a single-employer defined benefit OPEB plan administered through the New York State Health Insurance Program – Empire Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided – The District provides healthcare benefits and Medicare Part B coverage for eligible retirees. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms – As of the June 30, 2020 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	53
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>133</u>
	<u><u>186</u></u>

B. Total OPEB Liability

The District's total OPEB liability of \$51,166,261 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions and Other Inputs – The total OPEB liability, as of the measurement date, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40%	
Salary increases	3.00%	average, including inflation
Discount rate	2.16%	
Healthcare cost trend rates	4.90%	for 2021, decreasing to an ultimate rate of 4.04% by 2075
Retirees' share of benefit-related costs	0 - 100%	of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were updated to Pub-2010 Teachers, General Employees, and Retirees Headcount-Weighted table projected fully generationally using MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

C. Changes in the Total OPEB Liability

Balance at June 30, 2020	<u>\$ 49,419,770</u>
Changes for the year	
Service cost	2,759,019
Interest	1,140,404
Changes of benefit terms	-
Differences between expected and actual experience	(1,657,750)
Changes in assumptions or other inputs	311,635
Benefit payments	<u>(806,817)</u>
	<u>1,746,491</u>
Balance at June 30, 2021	<u><u>\$ 51,166,261</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21% in 2020 to 2.16% in 2021.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current discount rate:

OPEB	1% Decrease 1.16%	Discount Rate 2.16%	1% Increase 3.16%
Total OPEB liability	<u><u>\$ (62,327,024)</u></u>	<u><u>\$ (51,166,261)</u></u>	<u><u>\$ (42,478,258)</u></u>

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Sensitivity of the Total OPEB Liability Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (3.90% to 3.04%) or 1 percentage point higher (5.90% to 5.04%) than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	3.90%	4.90%	5.90%
	decreasing to	decreasing to	decreasing to
	3.04%	4.04%	5.04%
OPEB			
Total OPEB liability	\$ (40,505,409)	\$ (51,166,261)	\$ (65,768,099)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year June 30, 2021, the District recognized OPEB expense of \$4,818,059. At June 30, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$	\$ 3,981,063
Changes of assumptions or other inputs	11,589,049	1,182,177
Total	\$ 11,589,049	\$ 5,163,240

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2022	\$ 918,636
2023	918,636
2024	918,636
2025	918,636
2026	918,636
Thereafter	1,832,629
	\$ 6,425,809

17. DEFERRED INFLOWS OF RESOURCES

In the governmental fund financial statements, deferred inflows of resources, at June 30, 2021, consists of that portion of the amount due from New York State for local aid payments, which is unavailable and excess property taxes to be applied to future levies. Deferred revenues for New York State aid receivable, in the general fund at June 30, 2021, total \$129,473.

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Also included in the governmental fund financial statements as deferred inflows of resources, at June 30, 2021, is the amount due from New York State for improvements to educational technology and infrastructure to improve learning and opportunities for students throughout the state (Smart Schools Bond Act). Deferred revenues, in the capital projects fund at June 30, 2021, total \$89,811.

18. RISK MANAGEMENT

A. General Information

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. There have been no significant reduction in insurance coverage as compared to the prior year, and settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

B. Public Entity Risk Pool

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool’s geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of certain defined limits, and the District has essentially transferred all related risk to the pool.

In addition, the District participates in a risk pool, the East End Workers’ Compensation Consortium (EEWCC), to insure workers’ compensation claims. This public entity risk pool was created under Article 5 of Workers’ Compensation Law, to evaluate, process, administer, and pay workers’ compensation claims. The District retains the risk of loss.

The District pays an annual assessment to the pool for its workers’ compensation claims coverage and related expenses. The EEWCC has obtained an excess compensation insurance policy to buffer the effect that a single large claim may have on the District’s loss experience. The EEWCC established a non-discounted liability for both reported and unreported insured events, which includes estimates of both future payments or losses and related claim adjustment expenses. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported.

The District’s liability for incurred but unpaid claims and incurred but not reported claims at June 30, 2021, as processed by the EEWCC, is \$88,710. Claims activity is summarized as follows:

	2020	2021
Claims at beginning of year	\$ 96,535	\$ 79,826
Incurred claims and claim adjustment expenses	16,152	27,341
Claims payments and expenses	(32,861)	(18,457)
Claims liabilities at end of year	\$ 79,826	\$ 88,710

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The EEWCC is holding \$106,736 of cash on account for the District to satisfy these liabilities at June 30, 2021. In addition, the District has reserved \$165,561 in the general fund for potential supplemental assessments due to catastrophic losses and future claims.

The EEWCC has issued financial statements for the year ended June 30, 2021. Copies of these statements can be obtained from the District's Business Office.

19. RESTRICTED FUND BALANCE - APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2021 restricted fund balances, to fund the budget for the year ending June 30, 2022.

Workers' compensation	\$ 100,000
Retirement contribution	
Employees' retirement system	<u>100,000</u>
	<u>\$ 200,000</u>

20. ASSIGNED APPROPRIATED FUND BALANCE

The amount of \$735,962 has been appropriated to reduce taxes for the year ending June 30, 2022.

21. RESTRICTED FOR CAPITAL RESERVE

The following is a summary of the District's restricted capital reserve activities since inception:

Date Created	May 2014
Number of Years to Fund	10
Maximum Funding	<u>\$ 10,000,000</u>
General Fund	
Funding Provided Since Inception	\$ 6,767,259
Interest Earnings Since Inception	9,892
Use of Reserve Since Inception	<u>(5,541,525)</u>
Total General Fund	<u>1,235,626</u>
Capital Fund	
Funding Provided Since Inception	5,541,525
Use of Reserve Since Inception	<u>(4,469,279)</u>
Total Capital Fund	<u>1,072,246</u>
Balance as of June 30, 2021	<u>\$ 2,307,872</u>

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

22. RESTATEMENT OF FUND BALANCE AND NET POSITION

For the fiscal year ended June 30, 2021, the District implemented GASB Statement No. 84, which resulted in an increase of \$6,697 in fund balance of the governmental funds, as well as the Statement of Net Position. The District's fund balance and net position (deficit) have been restated as follows:

	General Fund	Extraclassroom Activity Fund	Scholarships Fund	Statement of Net Position
Fund Balance/Net Position (Deficit)				
Beginning of Year, as Reported	\$ 6,063,834	\$	\$	\$ (23,025,519)
<i>Assets</i>				
Cash	1,404,032	5,497	1,200	1,410,729
Due from fiduciary fund	(1,271,367)			(1,271,367)
	<u>132,665</u>	<u>5,497</u>	<u>1,200</u>	<u>139,362</u>
<i>Liabilities</i>				
Other liabilities	<u>132,665</u>			<u>132,665</u>
<i>Fund Balance/Net Position</i>				
Restricted			1,200	1,200
Assigned, unappropriated		5,497		
Unrestricted				5,497
	<u>-</u>	<u>5,497</u>	<u>1,200</u>	<u>6,697</u>
Fund Balance/Net Position (Deficit)				
Beginning of Year, as Restated	<u>\$ 6,063,834</u>	<u>\$ 5,497</u>	<u>\$ 1,200</u>	<u>\$ (23,018,822)</u>

23. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as restricted or assigned fund balance. At June 30, 2021, the District encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital projects	<u>\$ 8,127,056</u>
Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	9,027
Instruction	12,411
Pupil Transportation	6,519
	<u>27,957</u>
Capital Projects Fund	
Capital Projects	<u>113,079</u>
	<u>\$ 8,268,092</u>

SPRINGS UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Grants

The District has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. The District's administration believes disallowances, if any, would be immaterial.

C. Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. The District believes that the outcome of any matters will not have a material effect on these financial statements.

24. SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

A. Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA)

In July 2021, the District was awarded CRSSA funding of \$648,939 through the Elementary and Secondary School Emergency Relief Program (ESSER). The funds are to be used for eligible expenditures, which support the District's ability to continue to provide educational services. The funds will be recognized in the Special Aid Fund as expended.

B. Issuance of TANs

On September 30, 2021, the District issued tax anticipation notes in the amount of \$6,000,000, which are due June 24, 2022 and bear interest of 1.25%. The District received a premium of \$45,365 with the borrowing to yield an effective interest rate of 0.22%.

SPRINGS UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 26,698,942	\$ 26,698,942	\$ 26,698,942	\$ -
Other tax items	439,637	439,637	459,906	20,269
Charges for services	97,299	97,299	301,076	203,777
Sale of property and compensation for loss			21,261	21,261
Use of money and property	15,000	15,000	8,823	(6,177)
Miscellaneous	150,000	150,000	136,093	(13,907)
Total Local Sources	27,400,878	27,400,878	27,626,101	225,223
State Sources	1,342,387	1,342,387	1,352,820	10,433
Medicaid Reimbursement	75,000	75,000	42,239	(32,761)
Federal Sources			238,954	238,954
Total Revenues	28,818,265	28,818,265	29,260,114	441,849
OTHER FINANCING SOURCES				
Operating Transfers In			1,561,773	1,561,773
Total Revenues and Other Sources	28,818,265	28,818,265	30,821,887	\$ 2,003,622
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	1,031,165	1,031,165		
Prior Year's Encumbrances	92,077	92,077		
Appropriated Reserves	200,000	1,834,000		
Total Appropriated Fund Balance	1,323,242	2,957,242		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 30,141,507	\$ 31,775,507		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

See Paragraph on Required Supplementary Information Included in Auditor's Report

SPRINGS UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 54,490	\$ 64,291	\$ 62,594	\$	\$ 1,697
Central administration	237,876	269,813	269,674		139
Finance	402,961	462,452	355,168	2,210	105,074
Staff	96,050	100,508	94,287		6,221
Central services	1,468,157	1,585,910	1,454,438	6,817	124,655
Special items	188,452	511,559	504,035		7,524
Total General Support	2,447,986	2,994,533	2,740,196	9,027	245,310
Instruction					
Administration & improvement	604,268	616,607	550,205		66,402
Teaching - regular school	13,329,836	13,530,980	13,527,823	3,157	-
Programs for students with disabilities	5,252,520	5,105,916	4,283,894	8,758	813,264
Instructional media	738,224	671,500	632,042	496	38,962
Pupil services	848,157	775,849	694,699		81,150
Total Instruction	20,773,005	20,700,852	19,688,663	12,411	999,778
Pupil Transportation	1,051,678	1,059,011	893,179	6,519	159,313
Employee Benefits	5,286,165	5,359,260	5,252,961		106,299
Debt Service					
Principal	209,952	209,954	209,954		-
Interest	124,721	103,897	87,908		15,989
Total Debt Service	334,673	313,851	297,862	-	15,989
Total Expenditures	29,893,507	30,427,507	28,872,861	27,957	1,526,689
OTHER USES					
Operating Transfers Out	248,000	1,348,000	1,294,796		53,204
Total Expenditures and Other Uses	\$ 30,141,507	\$ 31,775,507	30,167,657	\$ 27,957	\$ 1,579,893
Net Change in Fund Balance			654,230		
Fund Balance - Beginning of Year			6,063,834		
Fund Balance - End of Year			<u>\$ 6,718,064</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

SPRINGS UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)
 Last Eight Fiscal Years

Teachers' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset (liability)	0.053559%	0.053630%	0.055356%	0.052915%	0.051805%	0.050681%	0.047066%	0.046311%
District's proportionate share of the net pension asset (liability)	\$ (1,479,974)	\$ 1,393,312	\$ 1,000,986	\$ 402,208	\$ (554,858)	\$ 5,264,107	\$ 5,242,910	\$ 304,840
District's covered payroll	\$ 9,090,620	\$ 8,951,728	\$ 9,016,907	\$ 8,559,176	\$ 8,387,144	\$ 7,607,176	\$ 6,977,777	\$ 6,805,939
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	(16.28)%	15.56 %	11.10 %	4.70 %	(6.62)%	69.20 %	75.14 %	4.48 %
Plan fiduciary net position as a percentage of the total pension liability	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%
Discount rate	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%	8.00%

Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0045454%	0.0045940%	0.0046258%	0.0046086%	0.0041419%	0.0049802%	0.0048056%	0.0048056%
District's proportionate share of the net pension liability	\$ (4,526)	\$ (1,216,513)	\$ (327,749)	\$ (148,741)	\$ (389,186)	\$ (799,336)	\$ (162,346)	\$ (217,160)
District's covered payroll	\$ 1,349,896	\$ 1,407,412	\$ 1,236,755	\$ 1,114,902	\$ 1,098,828	\$ 1,563,428	\$ 1,114,245	\$ 1,060,801
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.34 %	86.44 %	26.50 %	13.34 %	35.42 %	51.13 %	14.57 %	20.47 %
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%
Discount rate	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%	7.50%

An additional year of historical information will be added each year, subsequent to the year of implementation, until 10 years of historical data is available.

The amounts presented for each fiscal year were determined as of the measurement dates of the plans.

SPRINGS UNION FREE SCHOOL DISTRICT
Schedule of District Pension Contributions
 Last Ten Fiscal Years

Teachers' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 888,814	\$ 805,429	\$ 950,674	\$ 883,657	\$ 998,853	\$ 1,061,341	\$ 1,331,946	\$ 1,120,076	\$ 803,825	\$ 783,025
Contributions in relation to the contractually required contribution	<u>888,814</u>	<u>805,429</u>	<u>950,674</u>	<u>883,657</u>	<u>998,853</u>	<u>1,061,341</u>	<u>1,331,946</u>	<u>1,120,076</u>	<u>803,825</u>	<u>783,025</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,326,485	\$ 9,090,620	\$ 8,951,728	\$ 9,016,907	\$ 8,559,176	\$ 8,387,144	\$ 7,607,176	\$ 6,977,777	\$ 6,805,939	\$ 7,050,009
Contributions as a percentage of covered payroll	10%	9%	11%	10%	12%	13%	18%	16%	12%	11%

Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 193,252	\$ 192,095	\$ 170,283	\$ 190,873	\$ 162,264	\$ 216,705	\$ 202,177	\$ 206,898	\$ 198,366	\$ 126,360
Contributions in relation to the contractually required contribution	<u>193,252</u>	<u>192,095</u>	<u>170,283</u>	<u>190,873</u>	<u>162,264</u>	<u>216,705</u>	<u>202,177</u>	<u>206,898</u>	<u>198,366</u>	<u>126,360</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,397,120	\$ 1,415,611	\$ 1,362,210	\$ 1,241,973	\$ 1,150,794	\$ 1,179,214	\$ 1,135,265	\$ 1,074,174	\$ 1,039,809	\$ 1,016,117
Contributions as a percentage of covered payroll	14%	14%	13%	15%	14%	18%	18%	19%	19%	12%

SPRINGS UNION FREE SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Four Fiscal Years

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 2,759,019	\$ 1,666,914	\$ 1,440,964	\$ 1,567,932
Interest	1,140,404	1,383,873	1,346,889	1,189,614
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(1,657,750)	(3,200,256)	-	-
Changes in assumptions or other inputs	311,635	12,229,741	2,416,645	(1,829,889)
Benefit payments	(806,817)	(833,153)	(781,019)	(815,861)
Net Change in Total OPEB Liability	1,746,491	11,247,119	4,423,479	111,796
Total OPEB liability, beginning	49,419,770	38,172,651	33,749,172	33,637,376
Total OPEB liability, ending	<u>\$ 51,166,261</u>	<u>\$ 49,419,770</u>	<u>\$ 38,172,651</u>	<u>\$ 33,749,172</u>
Covered employee payroll	\$ 11,562,507	\$ 9,991,522	\$ 9,337,076	\$ 9,468,743
Total OPEB liability as a percentage of covered employee payroll	443%	495%	409%	356%
Discount rate	2.16%	2.21%	3.51%	3.87%
Healthcare trend rates	4.90% to 4.04% by 2075	4.70% to 4.04% by 2075	8.0% to 5.0% by 2021	8.0% to 5.0% by 2021

An additional year of historical information will be added each year, subsequent to the year of implementation, until 10 years of historical data is available.

Notes to Required Supplementary Information

Trust Assets

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

The amounts presented for the fiscal year were determined as of the measurement date of the plan.

SPRINGS UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For the Year Ended June 30, 2021

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$ 30,049,430
Additions:		
Prior year's encumbrances		92,077
Original Budget		30,141,507
Budget revisions		1,634,000
Final Budget		\$ 31,775,507

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-2022 voter-approved expenditure budget		\$ 30,800,134
Maximum allowed (4% of 2021-2022 budget)		\$ 1,232,005

General Fund Fund Balance Subject to §1318 of Real Property Tax Law:

Unrestricted fund balance:		
Assigned fund balance	\$ 763,919	
Unassigned fund balance	1,232,005	
		\$ 1,995,924
Less:		
Appropriated fund balance	735,962	
Encumbrances	27,957	
Total adjustments		763,919

General Fund Fund Balance Subject to §1318 of Real Property Tax Law: \$ 1,232,005

Actual Percentage 4.00%

SPRINGS UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources-Capital Projects Fund
For the Year Ended June 30, 2021

PROJECT TITLE	Budget		Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2021		
	June 30, 2020	June 30, 2021	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total	
Vestibule Project SED Project 0001-14	\$ 168,000	\$ 168,000	\$ 161,229	\$	\$ 161,229	\$ 6,771	\$	\$ 168,000	\$ 168,000	\$ 6,771		
District-Wide Improvements 2015	165,000	165,000	70,581		70,581	94,419		165,000	165,000	94,419		
District-Wide Improvements 2016	100,000	100,000	68,629		68,629	31,371		100,000	100,000	31,371		
District-Wide Improvements 2017	50,000	50,000	34,682	6,620	41,302	8,698		50,000	50,000	8,698		
District-Wide Improvements 2018	135,000	135,000	134,860		134,860	140		135,000	135,000	140		
General Capital Projects 2020-21		175,000		36,651	36,651	138,349		175,000	175,000	138,349		
Smart Schools Bond Project	136,000	136,000	110,572		110,572	25,428		136,000	136,000	25,428		
General construction	22,963,298	24,525,071	4,988,459	10,108,344	15,096,803	9,428,268	16,960,000	1,339,500	6,225,571	24,525,071		
Roof Replacement 2020		1,100,000		27,754	27,754	1,072,246		1,100,000	1,100,000	1,072,246		
Bus purchase	135,000	270,000	122,659	113,137	235,796	34,204	270,000		270,000	34,204		
Totals	\$ 23,852,298	\$ 26,824,071	\$ 5,691,671	\$ 10,292,506	\$ 15,984,177	\$ 10,839,894	\$ 17,230,000	\$ 1,475,500	\$ 8,118,571	\$ 26,824,071	10,839,894	
											Portion of Smart Schools Bond Act not yet recognized	(115,239)
											Transfer to general fund	(1,561,773)
											Bond proceeds not yet recognized	(135,000)
												<u>\$ 9,027,882</u>

SPRINGS UNION FREE SCHOOL DISTRICT
Schedule of Net Investment in Capital Assets
June 30, 2021

Capital assets, net	<u>\$ 18,899,117</u>
Deduct:	
Bond anticipation notes payable	243,000
Less: Unspent debt proceeds	(7,866,495)
Short-term portion of bonds payable	100,000
Long-term portion of bonds payable	16,960,000
Short-term portion of installment purchase debt	<u>51,607</u>
	<u>9,488,112</u>
Net investment in capital assets	<u><u>\$ 9,411,005</u></u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Education
Springs Union Free School District
East Hampton, New York:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springs Union Free School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 15, 2021